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SECURITY INFORMATION

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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#### GENERAL

1. Large-scale antibiotic shipments from Italy to Hong Kong continue: The Mutual Security Agency Mission in Rome has withheld approval of "priority assistance requests" from an Italian pharmaceutical firm which had shipped 150,000 dollars worth of chloromycin to Hong Kong in 1951. The Mission points out that inasmuch as no Italian law prohibits such shipments, no illegal act was committed. Nevertheless, such trade represents a circumvention of United States embargo lists. (C Rome TOMUS A-125, 7 Mar 52)

Comment: The western European countries have refused to add antibiotics to the COCOM embargo-list of goods destined to the Orbit. When Italy agreed in 1948 to the original embargo Lists 1-A and 1-B, drawn up by the United States, antibiotics were not included. The United States added antibiotics to its lists in 1950.

#### SOVIET UNION

2. Russia-Mongolia-China road freight to be handled by separate organization: The USSR has announced the formation of Autovneshtrans, a new organization under the Foreign Trade Ministry, to take charge of truck freighting into Mongolia and China. (U AP Moscow, 22 Mar 52)

Comment: Autovneshtrans apparently is a division of Soyuzvneshtrans, the All-Union Corporation for transport-expediting services of foreign trade turnover.

Establishment of this separate organization may indicate an increase in truck traffic to Sinkiang Province, which has several highway connections with the USSR, and is also probably in line with other recent reorganization of Soviet

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foreign trade agencies apparently undertaken to improve the administrative set-up.

EASTERN EUROPE

3. Russians charge United States promotes plan for invasion of Albania: Radio Moscow charged that American military specialists in Athens have been leaders in working out the "Kitrilakis Plan" which allegedly calls, in part, for an invasion of Albania by the Greek monarcho-fascists assisted by the Titoites. (R FBIS Moscow, 21 Mar 52)

Comment: In February 1951 Soviet propaganda first charged the West with plotting against Albania in "Operation Lightning," which planned the invasion of Albania in March or April 1951. The Russians later claimed that the date had been advanced to May or June.

Early in January 1952 the National Committee for Free Albania requested Yugoslavia, Greece and Italy to issue a joint statement pledging that they would respect Albania's frontiers and allow the Hoxha regime to be overthrown from within. This proposal has received some attention by the respective foreign offices. The current Soviet reference to aggressive plans against Albania probably is an indication that the USSR continues to be concerned about the possible loss of Albania as a Satellite.

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4. Japanese Government takes anti-Soviet stand on two issues:  
On 15 March the Yoshida government announced that no passports would be issued for travel to the USSR, basing its decision on a passport law provision banning travel in countries where the individual's person or property may be in danger. In explaining its position, the government again cited the USSR's retention of 270,000 Japanese POW's.

The Japanese Government indicated on 16 March that if no Allied decision on the future status of the Soviet mission in Japan is made by the effective date of the peace treaty, Soviet personnel will lose their diplomatic status. (S CINCFE Weeka 12, 22 Mar 52)

Comment: While the 16 March statement obviously attempts to transfer responsibility for the future status of Soviet personnel in Japan to the Allies, the Japanese stand on these two issues may be intended to hasten Soviet formalization of Russo-Japanese relations.

The Japanese Government reportedly will insist that any settlement between the two nations must provide for the return of the Habomai and Shikotan islands off Hokkaido and the return of the Japanese POW's still in Soviet hands. The government's stand on repatriation reportedly was transmitted to the USSR mission within the past two weeks by Vice Foreign Minister Iguchi.

5. Negotiations to merge the two South Korean Liberal parties in progress: Negotiations to merge the two South Korean Liberal parties -- the pro-Rhee elements mainly outside the legislature and the anti-Rhee Liberals within the National Assembly -- have been conducted continuously during the past two weeks. The Rhee followers hope through a merger to gain control of the Assembly. Liberals in the Assembly, on the other hand, are negotiating mainly in the hope that Rhee's followers may be lulled into a belief that the opposition representatives have been won over, thus ending the President's campaign to intimidate the National Assemblymen. The US Embassy doubts that the merger will be achieved, but adds that the anti-Rhee elements will maintain the pretense of desiring a merger in order to "keep the tension down." (C Pusan Weeka 12, 21 Mar 52)

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6. Biological warfare campaign gains in Thailand: The Chinese press in Thailand is currently giving full coverage to Communist BW charges while playing down UN denials and recommendations for a Red Cross investigation. Moreover, these papers have now adopted the view that the charges are not only possible, but are probable. The American Embassy in Bangkok states that the situation requires urgent counteraction and suggests that the State Department consider an intensification of the USIE counter-propaganda campaign. (C Bangkok 2222, 21 Mar 52)

Comment: In Burma, pro-Communists are also exploiting the BW charges with very little rebuttal.

NEAR EAST - AFRICA

7. French reform program for Tunisia awaits Bey's approval: The French Cabinet has approved an "evolutionary and generous" reform program for Tunisia which the Resident General may soon present privately to the Bey. Presentation of the proposals presupposes that the Bey will dismiss Prime Minister Chenik and his cabinet.

According to the French Foreign Office, the proposed reforms include the formation of a two-house legislative assembly; reduction of cabinet posts to eight, with four to be held and completely controlled by Tunisians; and opening all civil service positions to qualified natives. France would reserve absolute control over finances, defense and foreign affairs, but after five years may allow the Tunisians to administer public works and education. (S Paris 5796 and 5797, 22 Mar 52).

Comment: This program probably will be acceptable to most Tunisians. Personal antipathy between the Resident and the Prime Minister, however, remains the principal stumbling block to negotiation. If the Bey does not dismiss Chenik, France may have to replace the Resident to obtain acceptance of its program.

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WESTERN EUROPE

8. Italy requests British aid in dealing with Trieste situation:  
Italian Premier de Gasperi has asked the British Ambassador in Rome to assist in easing the situation in Trieste, where pro-Italian nationalists demonstrating for the return of the Free Territory to Italy have twice clashed with the civil police. This assistance would be exerted through the Allied Military Commander, General Winterton, who is a British national.

The American Political Adviser in Trieste states there is clear evidence that the Italian Government not only gave financial and moral support to the demonstrations on 20 and 22 March, but did little to quiet the resultant disorders. (S Rome 4121, 22 Mar 52; S POLAD Trieste 870, 22 Mar 52)

Comment: Demonstrations in support of Italy's position on Trieste have now spread to Rome. The government is likely to continue unofficially to sponsor further demonstrations in both Trieste and Italy in order to strengthen its position before the forthcoming elections.

9. Allied Commander recommends postponement of Trieste elections:  
General Winterton has recommended the postponement of communal elections scheduled for this spring on the grounds that announcement of an election to be held under the Italian electoral law would be interpreted as a concession to pro-Italian pressures and would only serve as an incitement to further disorder.

A continued postponement of the communal elections would be received with some favor by pro-Italian groups who hesitate to risk their majority in an electoral trial of strength, according to General Winterton. (S Trieste 870, 22 Mar 52)

Comment: An official announcement setting an election date concurrent with Italian local elections in May and the adoption of the Italian electoral law which would favor a joint list of pro-Italian parties in Trieste is scheduled to be issued by the Allied Military Government before the end of March.

Informed observers believe that pro-Italian leaders are somewhat apprehensive over the results of an election which would doubtless reflect the growth of independentist sentiment. The introduction of a linked-list system is designed to preserve the present political majority of the pro-Italian parties.

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11. Soviet authorities forbid discussion of Oder-Neisse line  
by East German officials:

on 17 March, Otto Nuschke, Chairman of the East German Christian Democratic Union and Deputy Minister President, was specifically forbidden by Soviet authorities to mention the border question in any statements, or to make any reference to the Oder-Neisse line. Nuschke was told that Minister President Otto Grotewohl had been censured for mentioning the Oder-Neisse line.

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mention of the Oder-Neisse line was the most significant part of the recent Soviet note on a German peace treaty. [REDACTED] in contrast to the reaction to previous Soviet notes, Foreign Minister Dertinger and other government officials did not speculate on the sincerity of the Russian offer. [REDACTED]

Comment: The absence of mention of the Oder-Neisse line in current Communist propaganda suggests that the USSR has, in fact, prohibited discussion of it. Although the Russians might eventually use the Polish-administered lands in bargaining with West Germany, it is unlikely to do so until it is clear that there will be no four-power conference as a result of the 10 March note.

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12. Austrians seen looking for additional economic aid this year: Mutual Security Agency officials in Paris interpret the Austrian OEEC delegate's recent reference to the possibility of "stop gap" aid as a "feeler" for additional economic assistance to Austria during the current fiscal year. (C Paris REPTO 1317, 20 Mar 52)

Comment: The allocation of 120 million dollars to Austria in economic aid was more generous than the Austrian Government had anticipated, but considerably smaller than the Austrians had hoped for. This figure was in fact predicated upon expectations regarding Austrian exports and economic reforms, which American officials in Vienna conceded at the time were "optimistic." Austria's 1951 foreign trade deficit was larger than that of 1950, and despite some favorable counter-inflationary measures undertaken at the end of last year, the package reform program which American officials presented to the Austrian Government in January has not yet emerged from government consultations.

13. Terms of 1952 Italo-USSR trade agreement announced: After more than six months of negotiations Italy and the USSR have finally agreed upon the lists of commodities to be exchanged during 1952. The final quotas are approximately the same as those reported last November. Italian exports will consist primarily of citrus fruit, spices, cork, textiles, oils, and roller bearings. Italy will ship 500 million lire worth of ball and roller bearings, as compared to the 2.1 billion lire worth shipped in 1949, 400 million in 1950, and none in 1951.

Italian imports will consist, among other things, of 110,000 tons of wheat, 100,000 tons of anthracite coal, 300,000 tons of petroleum products, and 20,000 tons of manganese ore. The unutilized quotas of the 3-year agreement which Italy concluded with the USSR in 1948 covering industrial products still remain in effect. (C Rome 4115, 21 Mar 52)

Comment: The terms of the trade agreement confirm earlier indications that it would be favorable to Italy. Some Italian industrialists believe that this agreement represents the most their country can hope for in trade with the USSR during 1952 and that consequently Italian businessmen would be unlikely to benefit from attendance at the Moscow Economic Conference.

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14. Italy indicates views toward European agricultural integration plan: The Italian Minister of Agriculture has informed American Embassy officials in Rome of the questions Italy will take up at the current discussions in Paris on western European agricultural integration. Italy will ask for the establishment of a European pool for financing the development and operation of idle but potentially good land, using surplus manpower from Italy and other countries to farm this land. All countries would contribute funds for financing, including EPU surpluses when appropriate. No central price control would be agreed to unless accompanied by central currency control.

Italy is also interested in knowing the relationship of North Africa to such a European agricultural pool. (C Rome 4129, 22 Mar 52)

Comment: The Italian proposals are consonant with the country's ever present objective of ameliorating its surplus manpower problem through western European economic integration.

#### LATIN AMERICA

15. Bolivian President told that army chief must be removed: Lt. Col. Orsini, leader of a group which demands changes in the junta and army command, reportedly told President Ballivian on 19 March that General Torres, commanding general of the Bolivian Army, must be removed. Ballivian is said to have replied that it was not the proper time to make such a move and that Torres had asked to retain his position until after new elections. Orsini informed the US Air Attaché in La Paz that if Torres is not removed, his group will take steps to obtain his ouster. [REDACTED]

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Comment: Ballivian's knowledge of Orsini's intentions and Torres' reported return to La Paz should aid the junta in countering Orsini's threats (see Current Intelligence Digest, 18 Mar 52).

16. Small number of noncommissioned officers in Brazilian Army arrested: General Eculides Zenobio, feeling that the Brazilian President's failure to date to accept his resignation constitutes support for his position, is proceeding with a Communist purge. So far about twenty noncommissioned

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officers have been arrested. (U USARMA Rio 1036, 24 Mar 52)

Comment: Despite Zenobio's action, the Communist Party has continued to plan for demonstrations today, the 30th anniversary of the founding of their party. Police in Rio and Sao Paulo have been alerted.

17. Ambassador Beaulac recommends recognition of Batista regime in Cuba: Ambassador Beaulac considers that all the United States Government's conditions for the recognition of a government have been met by the new regime in Cuba and suggests that recognition be extended on 27 March. (C Havana 673, 22 Mar 52)

Comment: Delay in recognition has been prompted by the United States' concern that its recognition not indicate approval of how Batista assumed power and also by the desire to minimize the adverse impact which the Batista coup is likely to have in other Latin American countries where elections are being held this year (see Current Intelligence Digest, 17 Mar 52). The United States plans to coordinate its action on recognition with other governments. France, Spain, Switzerland, Nationalist China, and eleven Latin American countries have already recognized the Batista government.

18. Anti-Communists hold orderly demonstration in Guatemala: About 20,000 persons participated in an orderly anti-Communist demonstration in Guatemala City on 23 March. Despite forebodings of disorder, no incidents occurred. Counterdemonstrations called for by Communist labor leaders were cancelled by government order.

The demonstrators demanded that the government immediately outlaw the Communist Party, deport foreign Communist agents, dismiss pro-Communist office holders, and revise its foreign policy to "re-establish harmony with the other American countries." If these demands are not met, "larger and larger demonstrations will follow," say the anti-Communists. (R Guatemala City 323, 23 Mar 52; NY Times, 24 Mar 52)

Comment: Considerable apprehension on the part of the government preceded the demonstrations. Pro-government forces were alerted to defend the government "by bearing arms if necessary." The government's decision to prohibit counterdemonstrations probably prevented rioting and bloodshed (see Current Intelligence Digest, 19 Mar 52)

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The anti-Communist leaders had estimated that up to 100,000 persons would participate in the demonstrations on 23 March. While only 20,000 are reported to have taken part, the demonstration nevertheless indicates the growing strength and organization of the anti-Communist movement in Guatemala.

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FAR EAST

1. Britain and Commonwealth cool to suggested Japanese participation in Colombo Plan talks: The British Government has rejected the American suggestion that it propose inviting a SCAP representative to observe on behalf of Japan the current Karachi meeting of the Commonwealth Colombo Plan consultative committee. Britain would, however, support such a move clearly initiated by the United States.

The American observer at Karachi advises against pressing the matter now, since the consensus among "key" delegates is unfavorable, even though most favor some form of Japanese association eventually. (S S/S Karachi 1039, 21 Mar 52)

Comment: The British Government's attitude on the role Japan might eventually play in the Colombo Plan for the economic development of South and Southeast Asia has not been revealed, but London's unwillingness to take the initiative at this time does not detract from earlier expressions of general interest in Japanese participation by some British officials. Indications are that a British desire to develop additional means of control over Japan's economic resurgence in the area would loom large in any later British approval of Japanese participation.

WESTERN EUROPE

2. Tripartite talks give some hope for Saar "truce": The American Embassy in Paris, commenting on the 20 March talks among French Foreign Minister Schuman, Chancellor Adenauer, and Saar President Hoffman, notes that the Germans and French have agreed to pursue conversations looking toward a definitive settlement of the Saar question prior to the conclusion of a German peace treaty. They have also agreed to examine --

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together with Saar representatives -- electoral conditions in the Saar. The Embassy believes that the forthcoming talks will bring a temporary truce in the present dispute.

Nevertheless, the Embassy doubts that there was a "meeting of minds" at the 20 March conference. It points out that the French reject the German interpretation that the agreement means the right of pro-German parties to operate in the Saar. Furthermore, there are strong indications that the French Government will not allow a new Saar legislature to reopen the question of the French-Saar economic union.



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